



**West
Northamptonshire
Council**

Audit and Governance Committee

Minutes of a meeting of the Audit and Governance Committee held at on Wednesday 10 November 2021 at 6.00 pm.

Present

Councillor John Shephard (Vice-Chair)
Councillor Jamal Alwahabi
Councillor Michael Brown
Councillor Alan Chantler
Councillor Stephen Clarke
Councillor Jake Roberts
Councillor Danielle Stone

Substitute
Members:

Also
Present:

Apologies for
Absence: Councillor Cecile Irving-Swift
Councillor Rosie Humphreys
Duncan Wilkinson

Officers Martin Henry, Executive Director - Finance (Section 151 Officer)
Sofia Neal-Gonzalez, Democracy Officer
Audra Statham, Assistant Director - Finance (Accountancy)

21. **Apologies**

Apologies received from Councillor Cecile Irving-Swift and Councillor Rosie Humphreys, and Duncan Wilkinson – Chief Internal Auditor

22. **Declarations of Interest**

None

23. **Minutes**

The minutes of the meeting held on 29th September 2021 be agreed subject to an amendment noting that in his absence Councillor Stephen Clarke had sent through various questions.

Councillor Stephen Clarke provided the following statement.

“He was surprised to read on Page 8 of the Minutes of the last meeting, **Item 8 Approval of Legacy Councils Annual Governance Statements** that *Members had no questions*. Although he had been unable to attend the meeting he had submitted

68 written questions for that meeting. Of the 68 written questions, 49 were answered on 12 October 2021, which left 19 outstanding. Of the 19 unanswered questions, sixteen still needed to be answered and three had responses, which would require more work. He would be writing to Martin Henry, Executive Director of Finance seeking further responses.”

24. **Urgent Business**

None

25. **Chair's Announcements**

It was advised that the deep dive on Economic Recovery risk that had been planned to take place during the meeting would not go ahead as the relevant officers had not had the time to compose a report. It would be re-scheduled for the new year.

A Councillor asked that in the future the Chair be noted as the Chair and not Chairman in order to be inclusive, this would be in-keeping with the non-gendered language used in the constitution

26. **Internal Audit 2021-22 Update Report**

At the Chair's invitation the Executive Director of Finance introduced the report on behalf of the Chief Internal Officer who had sent his apologies. Section 2 of the report gave the audit progress to date, it was advised that there were 69 audits planned, 30 already completed, 12 in the final draft stage and 18 in progress. The report discussed the audit shortfall, various options had been discussed, the Section 151 Officer would be considering these options. Page 26 had advised that the first 3 audits undertaken had been carried over from the previous authorities.

Councillors made the following comments.

- It was noted that 25% of potential fraud discovered was real, what could the council do to help with this going forward.
- It was queried how the council would address the resource problem that had been mentioned in section 7.1.
- The 625-audit day shortfall was noted, what would the council do to address the shortfall.
- How many full, part time and agency staff the council had was queried.
- Had the audit shortfall anything to do with lack of response from relevant departments or officers.
- It was queried whether the likelihood of fraud would increase when bringing the fraud department in-house, specifically the transition stage.
- Had the amount of known fraud been what was expected.
- The report had discussed legacy debt, would this work be completed.

The Chair made the following comments.

- Similar pressures regarding resources had occurred throughout all local authorities.

- The committee's remit would be limited to what was open to the internal auditors.

The Executive Director of Finance made the following comments.

- The council would have its own dedicated fraud team when the service comes back in house.
- There would be a separate proposal to highlight the resource shortfall. The options available were, to buy in more Audit resources, to not proceed with some lower risk audits or to carry forward some audits into the following year. The committee was advised that it could also be a combination of all the options.
- With regards to productivity, the target for the council was 90%.
- It was noted that there was a shortfall in staffing levels within Internal Audit, some contracts that had been in place in the previous councils had been stopped.
- Staffing levels had been noted in the risk register.
- Any legacy debt should not impact the base budget.

27. **External Audit Progress Report - Ernest Young**

The Chair invited Debbie Hanson from EY to give a verbal update. The committee was informed that there were some further adjusted and unadjusted differences identified since the last report presented to the Committee in September. The unadjusted differences were mainly related to differences in the pension liability identified by the pension fund auditor, which was related to the impact of the availability of more up to date information related to estimated figures.

With regards to the NCC audit, there were some outstanding areas, but the majority had been completed. Some issues had been found, which included incorrect debtors' codes being used, although there had been no bottom-line impact from these.

Debbie Hanson from EY advised that planning for the 2021 audit had already commenced in lower risk areas. The committee was asked if they wished to see a copy of the work carried out before it was brought to the committee in January. The committee agreed that they would like to see a copy of the work as soon as it was ready.

A councillor asked whether the NCC audit would include the LGSS Service, Debbie Hanson advised that at the moment there would be change in their approach to LGSS.

Mark Rutter from EY presented the next part of the item and noted that the main issues with outstanding audits had been delay in responses to queries that had been sent to officers. There had been some findings which would be provided to the committee.

With regards to NBC and materiality, there had been an increase from £2.2 million to £4.5 million which represented a 2% expenditure. It was noted that 4% was expected due to the size of the organisation.

Significant risk had been found with regards to land and buildings, the committee was advised that the council had a varied portfolio of assets, it was noted that council dwellings and heritage assets had been excluded from this.

The debt from the Northampton Town Football Club was mentioned, there had been limited progress in this area.

Councillors made the following comments.

- Business rates had been mentioned in the report.
- Had the football club (Sixfields site) incurred any further expense, such as legal costs? Would this influence the signing off the budget?
- It was noted that the provided paper report had stated that there had been a 'fundamental governance oversight', which had been a direct quote from the Internal Audit report.
- It was advised that the committee would need assurances regarding the valuation of assets.
- It was asked what had been done about the limited additional progress carried out.
- Two hotels were listed as assets in the report, which two were they?

The following comments were made by the Executive Director of Finance.

- Work being done on business rates would give them more resilience going forward.
- With regards to Sixfields some costs would still be incurred by the continued engagement of lawyers, but these would be immaterial.

Mark Rutter from EY advised that the two hotels discussed in the report were the Marriott Hotel and Park Inn.

With regards to the Daventry District Council audit Debbie Hanson from EY made the following comments.

- The audit was substantially complete, some differences with the pension liability figure had been noted.
- There would be an internal meeting to agree a consistent approach to all the previous councils' pensions.

28. **External Audit Progress Report - Grant Thornton**

At the Chairs invitation Ciaran McLaughlin from Grant Thornton gave a verbal update. The committee was informed that an audit plan would be presented at the January meeting.

There were no questions.

29. **Future Appointment of External Auditor**

At the Chairs invitation the Assistant Director of Finance for Accountancy presented the report, copies of which had been previously circulated. The committee was informed that in 2017 all the previous authorities opted into the PSAA service which

covered a 5-year period. WNC would have to now opt into the 2023/24 tender, different options had been set in the report. Due to its technical nature, it was advised that a limited number of audit firms were able to do the sort of work that was required by the council.

A councillor agreed and noted that joining the PSAA would be less burdensome to the council.

30. Corporate Risk Register

At the Chairs invitation The Executive Director of Finance presented the report copies of which had been previously circulated. The report highlighted what the main corporate risks had been and what the current risk scores were, the committee were informed that there had not been a significant change.

A Councillor asked if the resignation of the Director of Children's Services would create a risk increase, the Executive Director of Finance advised that it would be a consideration.

Discussion took place regarding the next deep dive, with a staffing item also being put forward.

31. Review of Committee Work Programme

The Chair noted that deep dive options had been identified but resources had not been considered.

The Executive Director of Finance noted that a deep dive of the Children's Trust had been raised at the last meeting, this could be a candidate for a deep dive.

The meeting closed at 7.17 pm

Chair: _____

Date: _____